

Multiple Agency Fiscal Note Summary

Bill Number: 2026 HB	Title: Rental income/property tax
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Estimated Cash Receipts

NONE

Agency Name	2023-25		2025-27		2027-29	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2023-25				2025-27				2027-29			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Department of Revenue	.1	10,700	10,700	10,700	.0	0	0	0	.0	0	0	0
Total \$	0.1	10,700	10,700	10,700	0.0	0	0	0	0.0	0	0	0

Estimated Capital Budget Expenditures

Agency Name	2023-25			2025-27			2027-29		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total \$	0.0	0	0	0.0	0	0	0.0	0	0

Estimated Capital Budget Breakout

Prepared by: Amy Hatfield, OFM	Phone: (360) 280-7584	Date Published: Final 1/17/2024
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Department of Revenue Fiscal Note

Bill Number: 2026 HB	Title: Rental income/property tax	Agency: 140-Department of Revenue
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.1	0.1		
Account					
GF-STATE-State 001-1		10,700	10,700		
Total \$		10,700	10,700		

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Rachelle Harris	Phone: 60-786-7137	Date: 01/07/2024
Agency Preparation: Kari Kenall	Phone: 60-534-1508	Date: 01/13/2024
Agency Approval: Marianne McIntosh	Phone: 60-534-1505	Date: 01/13/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/17/2024

Request # 2026-1-1

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

CURRENT LAW:

A property tax exemption is available on the principal place of residence of qualifying senior citizens, people with disabilities, and disabled veterans (claimants). The level of exemption varies depending on the claimant's combined disposable income. The calculation of the claimant's combined disposable income does not allow a deduction for rental income received by the claimant or the claimant's spouse for the rental of living space within the claimant's principal residence.

PROPOSAL:

This bill allows a deduction for rental income received by the claimant or the claimant's spouse for the rental of living space within the claimant's principal residence when calculating combined disposable income.

This proposal applies to taxes levied for collection in 2025 and after.

EFFECTIVE DATE:

The bill takes effect 90 days after the final adjournment of the session.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS

- A claimant's disposable income includes the required rental income received, then the claimant takes a deduction of qualifying rental income to calculate their final combined disposable income.
- No more than 2% of the senior population engages in home sharing and charges no more than \$500 a month.

DATA SOURCES

- Economic and Revenue Forecast Council, November 2023 forecast
- State Property Tax Model, November 2023
- Silvernest.com, Home sharing income
- TheStreet.com, Home Sharing: A Growing Trend for Retirees To Reduce Costs and Isolation, October 10, 2023
- County Assessors, Property tax exemption data

REVENUE ESTIMATES

This exemption will result in no revenue loss to the state school levy as the tax burden will shift to other taxpayers. The shift will be minimal.

Local regular levy districts will also experience a minimal shift of tax burden to other taxpayers. The shift could result in local revenue loss due to levy limits.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

ASSUMPTIONS:

This bill will affect county assessor offices and senior citizens applying for the property tax exemption or deferral.

FIRST YEAR COSTS:

The Department of Revenue (department) will not incur costs in fiscal year 2024.

SECOND YEAR COSTS:

The department will incur total costs of \$10,700 in fiscal year 2025. These costs include:

Labor Costs – Time and effort equate to 0.1 FTE.

- Amend one property tax advisory.
- Amend two expedited rules.
- Create one special notice and update forms, publications, and training materials.
- Consult with assessors and staff.

ONGOING COSTS:

There are no ongoing costs.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years		0.1	0.1		
A-Salaries and Wages		6,700	6,700		
B-Employee Benefits		2,300	2,300		
E-Goods and Other Services		1,200	1,200		
J-Capital Outlays		500	500		
Total \$		\$10,700	\$10,700		

III. B - Detail: *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part I and Part IIIA.*

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
EMS BAND 4	131,684		0.0	0.0		
EMS BAND 5	153,836		0.0	0.0		
MGMT ANALYST4	76,188		0.0	0.0		
TAX POLICY SP 2	78,120		0.0	0.0		
TAX POLICY SP 3	88,416		0.0	0.0		
TAX POLICY SP 4	95,184		0.0	0.0		
WMS BAND 3	111,992		0.0	0.0		
Total FTEs			0.1	0.1		

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the department will use the expedited process to amend WAC 458-16A-100, titled: "Senior citizen, disabled person, and disabled veteran exemption-Definitions" and WAC 458-16A-120, titled: "Determining combined disposable income." Persons affected by this rulemaking would include county assessor offices and exemption applicants.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 2026 HB

Title: Rental income/property tax

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- Cities: decrease in property tax revenue, tax shift
- Counties: decrease in property tax revenue, tax shift
- Special Districts: decrease in property tax revenue, tax shift
- Specific jurisdictions only:
- Variance occurs due to:

Part II: Estimates

- No fiscal impacts.
- Expenditures represent one-time costs:
- Legislation provides local option:
- Key variables cannot be estimated with certainty at this time: how many senior citizens applying for the property tax exemption would receive a larger exemption based on the new definition provided by the bill

Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 01/15/2024
Leg. Committee Contact: Rachelle Harris	Phone: 360-786-7137	Date: 01/07/2024
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 01/15/2024
OFM Review: Amy Hatfield	Phone: (360) 280-7584	Date: 01/17/2024

Part IV: Analysis

A. SUMMARY OF BILL

Description of the bill with an emphasis on how it impacts local government.

This bill amends the definition of "combined disposable income" as used in RCW 84.36.381 to include income received from the rental of living space in the person's principal place of residence.

B. SUMMARY OF EXPENDITURE IMPACTS

Expenditure impacts of the legislation on local governments with the expenditure provisions identified by section number and when appropriate, the detail of expenditures. Delineated between city, county and special district impacts.

This bill would have minimal impact on local government expenditures because the exemption already exists.

C. SUMMARY OF REVENUE IMPACTS

Revenue impacts of the legislation on local governments, with the revenue provisions identified by section number, and when appropriate, the detail of revenue sources. Delineated between city, county and special district impacts.

This bill would impact local government property tax revenues. The impact cannot be calculated because it is unknown how many senior citizens applying for the property tax exemption would receive a larger exemption based on the new definition provided by the bill.

According to the Department of Revenue, local regular levy districts will experience a minimal shift of tax burden to other taxpayers and the shift could result in local revenue loss due to levy limits.

Source:

Department of Revenue fiscal note HB 2026 (2024)